

## Message Text

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44

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 EURE-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-02 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01

RSR-01 /179 W

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P R 211337 Z JUN 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 1165

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION GENEVA

AMEMBASSY LUXEMBOURG

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E. O. 11652: N/A

TAGS: ETRD, EEC, GATT, FR

SUBJECT: VIEWS OF FRENCH OFFICIAL ON ARTICLE XXIV NEGOTIATIONS AND EC'S "VUE D'ENSEMBLE"

1. SUMMARY: IN A CONVERSATION WITH ECON/ COM MIN ON ARTICLE XXIV:6 NEGOTIATIONS AND COMMUNITY'S "VUE D'ENSEMBLE," DE MOREL, DIRECTOR OF DREE, WHILE REITERATING PREVIOUS FRENCH POSITIONS, GAVE EVIDENCE OF SOME FLEXIBILITY IN HIS OWN THINKING. IN PARTICULAR, HE SAID HE COULD ENVISAGE A "POLITICAL SOLUTION" OF ARTICLE XXIV :6 PROBLEM WHICH OFFERED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SOME COMPENSATION TO U . S., PROVIDED THE COST WAS NOT TOO HIGH. HE ALSO INDICATED HE COULD ENTERTAIN THE IDEA OF ACCEPTING SOME LIMITATIONS ON CAP MECHANISMS AND SOME MODIFICATIONS IN GATT ARTICLE XIX. WHETHER THIS FLEXIBILITY IS SHARED BY

FOREIGN OFFICE IS QUESTION WE INTEND TO EXPLORE WITH BRUNET,  
DIRECTOR OF ECONOMIC AFFAIRS OF FOREIGN OFFICE, ON JUNE 23.  
END SUMMARY.

2. ECON/ COM MIN CALLED ON DE MOREL, DIRECTOR OF DREE,  
JUNE 20 TO FOLLOW UP PRESENTATION MADE BY MALMGREN AND  
RENNER ON JUNE 14 ON ARTICLE XXIV:6 NEGOTIATIONS AND  
COMMUNITY' S " VUE D' ENSEMBLE" ON TRADE NEGOTIATIONS.

3. ON ARTICLE XXIV:6 ECON/ COM MIN STRESSED IMPORTANCE  
OF FINDING SOME WAY OUT OF PRESENT IMPASSE, POINTING OUT  
THAT FAILURE OF NEGOTIATIONS COULD HAVE ADVERSE EFFECT ON  
CONGRESSIONAL ACTION ON TRADE REFORM ACT. DE MOREL REPLIED  
THAT THE EC POSITION THAT IT OWED THE U. S. NOTHING WAS  
BASED ON A PURELY ARITHMETICAL CALCULATION. IN OTHER  
WORDS, IT WAS AN ASSESSMENT OF THE QUANTITATIVE VALUE OF THE  
CONCESSIONS. HE SAID HE RECOGNIZED THAT THE U. S. BELIEVED  
THAT, IN ORDER TO PROVIDE A FAIR BASIS FOR DETERMINING  
COMPENSATION, THERE SHOULD BE AN ASSESSMENT OF THE QUALITATIVE  
VALUE OF THE CONCESSIONS. SINCE IT WAS VERY DIFFCULT TO  
DETERMINE THE QUALITATIVE VALUE OF CONCESSIONS, WHAT WE WERE  
REALLY ASKING FOR WAS A POLITICAL SETTLEMENT.

4. DE MOREL SAID THERE WERE TWO THINGS HE COULD SAY ABOUT  
THE U. S. ATTITUDE. FIRST, HE DID NOT BELIEVE THAT FAILURE  
TO SETTLE THIS PROBLEM WOULD REALLY HAVE AN ADVERSE  
EFFECT ON THE TRADE NEGOTIATIONS, AND THAT THEREFORE THE UR-  
GENCY WITH WHICH WE WERE PRESSING FOR A SETTLEMENT DID NOT  
SEEM JUSTIFIED. SECONDLY, THE GOF WAS INTELLECTUALLY CON-  
VINCED THAT THE EC DID NOT OWE THE U. S. COMPENSATION BY ANY  
CONCEIVABLE DEFINITION OF INJURY. NONETHELESS, HE RECOGNIZED  
THAT THE GATT DID NOT SPECIFY ANY PARTICULAR METHOD FOR  
DETERMINING WHETHER COMPENSATORY ADJUSTMENT WAS JUSTIFIED,  
SAYING ONLY THAT THERE SHOULD BE AN AGREEMENT BETWEEN  
THE CONTRACTING PARTIES PRIMARILY CONCERNED. ON THIS POINT,  
HE COULD ASSURE US THE GOF WANTED AGREEMENT TO BE REACHED.  
IF THE U. S. ATTACHED GREAT IMPORTANCE TO RECEIVING COM-  
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PENSATION, THEN HE THOUGHT THE GOF WOULD BE WILLING TO  
MAKE A GESTURE, PROVIDED THE COST WAS NOT EXCESSIVE.  
ECON/ COM MIN SAID THAT IN THIS CASE IT WOULD BE NECESSARY  
TO DEVISE PROCEDURES FOR ARRIVING AT SUCH AN AGREEMENT. AT  
A MINIMUM, IT SEEMD ESSENTIAL THAT THE COUNCIL' S MANDATE TO  
THE COMMISSION BE MODIFIED TO GIVE THE COMMISSION FLEXIBILITY  
TO ENGAGE IN EXPLORATORY TALKS WITH THE U. S. DE MOREL SAID  
THIS WAS SOMETHING THAT THE GOF WOULD HAVE TO REFLECT UPON.

5. TURNING TO THE " VUE D' ENSEMBLE," ECON/ COM MIN SAID  
USG HOPED EC WOULD NOT PRODUCE TOO RESTRICTIVE A DOCUMENT  
SINCE THIS MIGHT BE USED BY CONGRESS AS PRETEXT FOR INTRO-

DUCING RESTRICTIVE CLAUSES INTO TRADE REFORM ACT. HE MENTIONED PARTICULARLY THE LANGUAGE ON REDUCING INDUSTRIAL TARIFFS, THE CAP AND SAFEGUARDS AS AREAS WHERE WE HOPED THE EC WOULD RETAIN MAXIMUM FLEXIBILITY. DE MOREL SAID THAT WHILE THE GOF DID NOT OBJECT TO LEAVING OPEN THE POSSIBILITY OF REDUCING TARIFFS IN CERTAIN SECTORS TO ZERO, IT WAS STRONGLY OPPOSED TO THIS AS A GENERAL PRINCIPLE. ECON/ COM MIN REPLIED THAT REMAINING SILENT ON THIS POINT IN THE " VUE D' ENSEMBLE" WOULD NOT IMPLY ACCEPTANCE OF THE PRINCIPLE. ON THE CONTRARY, THE EC WOULD RETAIN COMPLETE LIBERTY TO OPPOSE IT IN THE NEGOTIATIONS. ALL WE WERE SUGGESTING WAS THAT THE EC NOT PIN ITSELF DOWN ON QUESTIONS LIKE THIS BEFORE THE NEGOTIATIONS HAD EVEN STARTED.

6. ON AGRICULTURE DE MOREL SAID THAT THE GOF WOULD INSIST ON THE COMPLETE SANCTITY OF THE BASIC PRINCIPLES OF THE CAP, BUT HE PERSONALLY BELIEVED THAT THE EC SHOULD BE PREPARED TO ACCEPT SOME MODIFICATIONS OF CAP MECHANISMS. AS HE SAW IT, THE EC WAS A MAJOR PRODUCER OF GRAINS AND HAD THE SAME OBLIGATION AS OTHER MAJOR PRODUCERS TO CONDUCT ITSELF WITH A SENSE OF INTERNATIONAL RESPONSIBILITY. THIS CARRIED WITH IT THE OBLIGATION TO ACCEPT CERTAIN RESTRICTIONS ON INTERNAL MECHANISMS, SUCH AS PRICES AND PRODUCTION LEVELS. IF AN INTERNATIONAL GRAINS ARRANGEMENT WAS TO HAVE ANY VALUE, IT WOULD HAVE TO CONTAIN SUCH ELEMENTS OF INTERNATIONAL DISCIPLINE. GOF WOULD CERTAINLY BE OPPOSED TO PRODUCING ANOTHER WORTHLESS AGREEMENT LIKE THE 1967 AGREEMENT. DE MOREL SAID HE PERSONALLY BELIEVED THESE VIEWS SHOULD BE CLEARLY EXPRESSED IN THE " VUE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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D' ENSEMBLE" BUT HE ADMITTED THAT THIS WAS NOT THE UNANIMOUS VIEW WITHIN THE GOF AND HE WAS NOT SURE WHAT THE OUTCOME WOULD BE.

7. ON SAFEGUARDS DE MOREL SAID HE SAW NO OBJECTION TO OPENING THE DOOR TO SOME MODIFICATION OF ARTICLE XIX PROVIDED THAT THE PARTIES TO THE AGREEMENT REAFFIRMED THEIR COMMITMENT TO THE UNDERLYING SPIRIT OF OBERALISM OF THE GATT, AND PROVIDED THESE MODIFICATIONS WERE CLEARLY CONSISTENT WITH THAT SPIRIT.

8. COMMENT: ALTHOUGH DE MOREL REITERATED PREVIOUS FRENCH POSITIONS, HE CLEARLY INDICATED THAT, IN HIS OWN MINISTRY AT LEAST, THERE IS SOME FLEXIBILITY IN THESE POSITIONS. WHETHER THIS FLEXIBILITY EXTENDS TO THE FOREIGN OFFICE IS ANOTHER QUESTION. BRUNET, DIRECTOR OF ECONOMIC AFFAIRS IN THE FOREIGN OFFICE, WHO IS THE ONLY PERSON SHORT OF THE FOREIGN MINISTER WHO CAN SPEAK WITH ANY AUTHORITY ON SUCH MATTERS, HAS BEEN OUT OF THE COUNTRY ALMOST CONTINUOUSLY FOR THE LAST TWO WEEKS. HOWEVER, WE HAVE REQUESTED AN APPOINTMENT WITH

HIM FOR SATURDAY, JUNE 23, WHICH WILL GIVE US AN OPPOR-  
TUNITY FOR A FULL DISCUSSION OF THESE PROBLEMS BEFORE THE  
JUNE 25-26 MEETING OF THE EC COUNCIL OF MINISTERS.

DECONTROL DECEMBER 31, 1974.

IRWIN

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BRUSSELS  
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